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**RESPONSE TO SGX-ST QUERIES DATED 9 FEBRUARY 2024**

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The Board of Directors (the “**Board**”) of Hong Lai Huat Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it has received further queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 5 February 2024 in relation to the Proposal Disposals (“**Proposed Disposals Announcement**”), further to a first set of queries in relation to the Proposed Disposals which the Company responded to on 8 February 2024 (the “**Response to First Queries Announcement**”, and together with the Proposed Disposals Announcement, collectively, the “**Announcements**”). Unless otherwise defined herein or the context otherwise requires, all capitalised terms in this announcement shall have the meanings defined in the Announcements.

The Board wishes to respond to the Queries as follows:

<b>Query 1:</b>	<b>Paragraph 5.2 in Practice Note 10.1 of the Listing Rules requires substantive factors to be disclosed in justifying the aggregate value of the consideration and the mere fact that the consideration was arrived at on a "willing buyer willing seller" basis is not a sufficient factor. In that regard, we have requested for the Company to disclose and quantify the factors taken into account in arriving at the aggregate consideration value of HLHA (S\$ 48.2 million) and HLHI (S\$ 2.0 million) that are respectively at a discount of 17% and 45% of its NTA. In your responses to Queries 1 &amp; 2, this was not disclosed as requested. Please disclose accordingly.</b>
Response 1:	<p>The substantive factors that the Board took into account in agreeing to the consideration for the Proposed Disposals included both quantitative factors and qualitative factors.</p> <p>While the Board is cognizant that the HLHA Disposal Consideration represents a 17% discount to the NTA of the HLHA Sale Share as at 30 June 2023 and the HLHI Disposal Consideration represents a 45% discount to the NTA of the HLHI Sale Shares as at 30 June 2023, and such consideration amount is also at a discount to the last reported valuation of the HLHA Land and the HLHI Land respectively, the Board wishes to emphasize that such consideration amount was what the Seller was able to persuade the Purchaser to accept as the purchase price for the Proposed Disposals, after a lengthy and protracted negotiation process. The Seller had started negotiations with the Purchaser in relation to the Proposed Disposals since May 2023. The Purchaser’s starting offer for purchase of both the HLHA Land and the HLHI Land was merely US\$15 million, and it was only through repeated rounds of discussions and negotiations between the relevant representatives of the Seller’s team and the Purchaser’s team that the Purchaser was then willing to offer the aggregate consideration amount of US\$37.5 million for both the HLHA Sale Shares and HLHI Sale Shares, and which the Seller was in turn willing to accept, <i>inter alia</i>, for reasons as previously disclosed in the Announcements, and as further elaborated below:</p> <p>(a) Prior to identifying the Purchaser as a potential buyer candidate, the Seller had, since FY2020, been trying to identify potential international investors/buyers for HLHA and HLHI, <i>inter alia</i>, in the hope that an investment by or sale to such parties will be able to maximize the returns for the Group. However, the challenges faced by the Seller in seeking international investors/buyers are that the HLHA Land is concession land with a remaining tenure of approximately 36 years, and although there is a possibility of applying for extension of the tenure of such concession by another 40 years, there is no certainty or assurance of such extension being approved</p>

	<p>by the relevant authorities, and the Seller has had no success in attracting international investors/buyers, perhaps due to the economic impact from the COVID-19 global pandemic and their lack of familiarity with Cambodian laws and regulations giving rise to perceptions of lack of certainty of operating in Cambodian market and especially the concerns about the possible risks of not being able to secure an extension of the tenure for the concession land. Furthermore, as previously disclosed in the Proposed Disposals Announcement, the Group's Agricultural Arm has been incurring losses yearly since its inception.</p> <p>(b) As previously disclosed in the Proposed Disposals Announcement, the HLHI Land does not currently have any utilities infrastructure such as electricity or water built on it, and there are also no roads built or other means of direct public access to the HLHI Land other than through the HLHA Land, and the Board is of the view that it will be difficult to sell the HLHI Land on a stand-alone basis under such conditions.</p> <p>(c) To give further background and context to the rationale for the Proposed Disposals, the devastating global impact of the Covid-19 pandemic since FY2020 resulted in a halt of international buyers and slowdown of local buyers for the sale of the Group's condominium units in the Kingdom of Cambodia, as a consequence of which the Group has had to seek alternative options for funding its Property Division, including the funding required for the Royal Group Platinum mixed development project held under its 50%-owned associated company, Royal Hong Lai Huat One Company Limited ("RHLH").</p> <p>The Royal Group Platinum mixed development project is currently under construction and although RHLH has completed the commercial segment which consists of 50 units, it is expected to complete both of its residential towers at 28 stories high with 851 residential units in FY2024, with an estimated balance construction costs of approximately US\$20 million, and the Company expects that such costs will likely have to be 100% equity-funded by the Group and its joint venture partner in equal proportion, as debt financing of such amount is not easily available in the Kingdom of Cambodia.</p> <p>(d) The Proposed Disposals is also in line with the Company's overall strategy, which started since the COVID-19 global pandemic in FY2020, of restructuring the Group's businesses by actively looking to cut its losses from non-profit making subsidiaries, with the most recent example being a disposal of the Group's shares held in HLH Agri R&amp;D Pte Ltd.</p> <p>Furthermore, as the Seller will be selling the HLHA Sale Shares and the HLHI Sale Shares rather than selling the HLHA Land and the HLHI Land directly under the Proposed Disposals, it may also be pertinent for shareholders of the Company to review and consider the results of the Disposal Assets Valuation (as defined below) which the Company will be appointing a valuer to carry out, in assessing the overall quantitative factors in relation to the Proposed Disposals.</p>
<b>Query 2:</b>	<p><b>In its response to Query 1, the Company further disclosed that loans extended by the Company's wholly owned subsidiary, HLH Agri International Pte Ltd (the "Seller") to HLHA was S\$40.0 million. Please disclose the periods when this amount was advanced and whether the Company will be able to recover the S\$40.0 million from HLHA prior to or after the disposal of HLHA.</b></p>
Response 2:	<p>The S\$40 million shareholder's loan was advanced or disbursed at the inception of the Agricultural Arm in FY2008 and, being in the nature of quasi-capital contribution, has been outstanding for approximately 16 years.</p>

	As disclosed in paragraph 7.5 of the Proposed Disposals Announcement, the shareholder's loans or advances extended by the Seller to HLHA are intended to be capitalized and will not be repaid by HLHA to its holding company.
Query 3:	<p><b>Under paragraph 4.2 of its Disposal Announcement of 5 February 2024 the Company disclosed that “the Company has appointed Key Real Estate Co., Ltd to conduct an independent valuation of the HLHI Land for the Proposed HLHI Disposal [emphasis added].” However, in its response to SGX when queried by SGX, the Company responded that “it had appointed Key Real Estate Co., Ltd to value the HLHI Land for the purpose of its audited consolidated accounts for FY2020 and FY2021 and appointed Japan Valuers (Thailand) Co., Ltd to value the HLHI Land for the purpose of its audited consolidated accounts for FY2022. The Company has appointed a third valuer, Asia Real Estate Cambodia Co., Ltd to value the HLHI Land for the purpose of its audited consolidated accounts for FY2023”. In view of the above:</b></p> <p><b>(a) Please reconcile and explain why the Company had represented that Key Real Estate Co., Ltd conducted an independent valuation of HLHI for the Proposed HLHI Disposal when its valuation was carried out for its FY2020 and FY2021 Annual Report.</b></p> <p><b>(b) Please clarify why the Company did not attribute the valuation to Japan Valuers (Thailand) Co., Ltd which undertook the valuation for the latest audited financial year FY2022. Please disclose how, if the Company had relied on the valuation report of Key Real Estate Co., Ltd, had the Company determined the consideration value of HLHI to be only US\$1.5 million;</b></p> <p><b>(c) Please confirm if the AC had reviewed the transaction and announcement and were unanimously of the view that the considerations for the disposals of HLHI and HLHA are in the best interest of the Company and its shareholder; and</b></p> <p><b>(d) We draw your attention to Listing Rule 1005 which states that “In determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.” As the disposals of HLHI and HLHA are signed on the same date, with the same Purchaser and the assets are situated next to each other, we wish to inform you that the Exchange is of the view that the Disposals of both HLHI and HLHA should be aggregated, pursuant to Listing Rule 1004. In view of this, as the aggregated ratio of the HLHI Disposal Listing Rule 1006 will exceed 75%, please appoint a competent and independent valuer to value the assets to be disposed as required under Listing Rule 1014(5) and obtain shareholders’ approval for the disposal of HLHI as required under Listing Rule 1014(2).</b></p>
Response 3:	<p><b>(a) It was due to an oversight that the Company had erroneously stated in the Proposed Disposals Announcement that it was Key Real Estate Co., Ltd (when in fact it was Japan Valuers (Thailand) Co., Ltd) that had conducted the valuation of the HLHA Land and the HLHI Land in connection with the audited financial statements for FY2022, which the Company had duly clarified in the Response to First Queries Announcement.</b></p> <p><b>(b) Please refer to the response to Query 1 above in relation to how the Company determined the consideration amount of the HLHI Sale Shares to be US\$1.5 million.</b></p>

	<p>(c) The Company confirms that the AC has considered the terms of the HLHA SPA and the HLHI SPA and having reviewed, amongst other factors, the rationale for the Proposed Disposals, the consideration for the Proposed Disposals and the basis thereof and the intended use of proceeds to be received from the Proposed Disposals, were unanimously of the view that the Proposed Disposals are in the best interest of the Company and its shareholders. The Company also confirms that members of the AC have, as part of the Board, reviewed and approved the Proposed Disposals Announcement.</p> <p>(d) The Company takes note of the Exchange's requirement for the Company to, and the Company will be taking steps to appoint a competent and independent valuer to value the HLHA Sale Shares and the HLHI Sale Shares (collectively the "<b>Disposal Assets Valuation</b>").</p>
<b>Query 4:</b>	<b>In its response to Query 7, the Company provided the results of past valuations done on the land(s) of HLHI and HLHA from FY2020 to FY2022 and notably, the aggregate consideration value of HLHA (US\$ 36.0 million) and HLHI (US\$ 1.5 million) is lower than all of the past valuations results of US\$60.8 million to US\$63.5 million and US\$2.9 million to US\$3.23 million respectively. Noting that the Company disclosed that no further adjustments will be made to the consideration based on the latest independent valuation report, please explain what the Company had benchmarked the sales consideration on and not benchmarked the aggregate consideration value of HLHA and HLHI against past valuation performed. In your response, please quantify the reasons for the discount to the past valuation results for HLHA and HLHI.</b>
Response 4:	Please refer to the response to Query 1, in particular, the consideration that the past valuations performed were for the HLHA Land and the HLHI Land which does not equate to possible valuations for the HLHA Sale Shares and the HLHI Sale Shares respectively.
<b>Query 5:</b>	<p><b>The total gross consideration for the Disposals of HLHI and HLHA will amount, in aggregate, to approximately S\$50.23 million and will result in a loss on disposal of S\$13.3 million based on the gross proceeds for the disposals. In its response to Query 8, the Company disclosed that 99% of the estimated expenses of S\$5.23 million in connection with the Proposed Disposals are attributable to the fees amounting to S\$5.0 million payable as commission to Mr Lao Channara, a Cambodian businessman and the consultant who introduced H.E Neak Okhna Ly Yong Phat (the "Purchaser") to the Company. Please provide the following details:</b></p> <p>(a) <b>Please disclose the background of Mr Lao Channara and the specific work undertaken by him for the disposals to warrant the 10% fees payable to him;</b></p> <p>(b) <b>To disclose if the consultancy fees of 10% of gross consideration is in line with industry practices for similar transactions. Please substantiate with details;</b></p> <p>(c) <b>To disclose how the Company was introduced to Mr Lao Channara and whether he has any associations or relationships with the directors or shareholders of the Hong Lai Huat group, the Seller or Purchaser currently or in the past. Please provide details, where applicable; and</b></p> <p>(d) <b>Please disclose whether Mr Lao Channara hold any position in L.Y.P. Group Co., Ltd, or other businesses of the Purchaser.</b></p>

Response 5:	<p>(a) The Company understands that Mr Lao Channara is a businessman in the Kingdom of Cambodia. The Company came to know Mr Lao Channara through a purchase of land from him by one of the Company's wholly owned subsidiaries, Public Housing Development (Cambodia) Limited, as announced on 12 September 2020. The Company had approached Mr Lao Channara to introduce potential purchasers from his extensive network in Cambodia, and Mr Lao Channara had then introduced the Purchaser to the Seller. Apart from making the introduction of the Purchaser to the Seller, Mr Lao Channara had assisted in the price negotiations between the Purchaser and the Seller and had also assisted to coordinate and liaise in some of the discussions or negotiations between the Purchaser's lawyers and Seller's lawyers on the terms of the HLHI SPA and HLHA SPA.</p> <p>(b) The Company understands that it is industry practice in the property market in Cambodia for a commission fee, broker fee or agent fee to be paid to the broker or agent who assists in securing sales, and the quantum of such fees can range between 10% to 15%, so for instance, the Group currently pays commission at 10% of the net sale proceeds to its appointed real estate agents including a Singapore real estate firm for the sale and marketing of its condominium projects and serviced apartments in Cambodia. There are also cases where some developers in Cambodia are paying up to 15% in commission for the sale of their respective development projects.</p> <p>(c) Save for the transaction as aforementioned, Mr Lao Channara does not have any associations or relationships with the directors or shareholders of the Group and the Seller. The Company is unable to comment on whether the Mr Lao Channara has any associations or relationships with the Purchaser.</p> <p>(d) The Company is unable to comment on whether Mr Lao Channara holds any position in L.Y.P. Group Co., Ltd, or other businesses of the Purchaser.</p>									
Query 6:	<p><b>In its response to Query 9, the Company disclosed that the Company will not be deemed a cash company under Listing Rule 1018 "as the Group has significant property assets under its Property Division, including property units for sale and landbank for future development". Please provide further details and quantify the contribution each of these units and landbank and the work in progress of these operations to justify that the Company has operations and operating activities and that these are not passive assets. To also disclose the value of these assets/operations in comparison to the cash amount of \$56 million (S\$50.23 million from the disposals and cash at bank of S\$6.0 million as at 30 June 2023) that the Company holds.</b></p>									
Response 6:	<p>Please find below the relevant breakdown of the value of the Group's relevant assets under its Property Division:</p> <table border="1" data-bbox="353 1118 1464 1358"> <thead> <tr> <th data-bbox="353 1118 725 1246">Group Assets</th> <th data-bbox="725 1118 1099 1246">30-Jun-23 Unaudited Half Year (S\$)</th> <th data-bbox="1099 1118 1464 1246">As a % of cash at bank as at 30 June 2023 and cash expected from the Proposed Disposals<sup>1</sup></th> </tr> </thead> <tbody> <tr> <td data-bbox="353 1246 725 1305">D'Seaview unsold units</td> <td data-bbox="725 1246 1099 1305">17,615,954</td> <td data-bbox="1099 1246 1464 1305">31.33%</td> </tr> <tr> <td data-bbox="353 1305 725 1358">Freehold land undeveloped</td> <td data-bbox="725 1305 1099 1358">30,552,203</td> <td data-bbox="1099 1305 1464 1358">54.33%</td> </tr> </tbody> </table>	Group Assets	30-Jun-23 Unaudited Half Year (S\$)	As a % of cash at bank as at 30 June 2023 and cash expected from the Proposed Disposals <sup>1</sup>	D'Seaview unsold units	17,615,954	31.33%	Freehold land undeveloped	30,552,203	54.33%
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D'Seaview unsold units	17,615,954	31.33%								
Freehold land undeveloped	30,552,203	54.33%								

Investment in 50% JV	27,851,977	49.53%
<b>Total</b>	<b>76,020,134</b>	<b>135.19%</b>

Note (1): based on the aggregate amount of cash at bank as at 30 June 2023 and cash expected from the Proposed Disposals of \$56.23 million

As previously disclosed, the Group did not secure any sales of its D'Seaview project for FY2022 and HY2023 and did not commence any new development in respect of its landbank in FY2022 and HY2023. However, during such periods, the Group was actively managing the sales and marketing as well as the construction of the Royal Group Platinum project held under RHLH, its 50%-owned associated company, as provided for under the terms of the joint venture between Hong Lai Huat Group Limited and the Royal Group of Companies.

**BY ORDER OF THE BOARD**

Dato Dr Ong Bee Huat  
Executive Deputy Chairman and Chief Executive Officer  
14 February 2024